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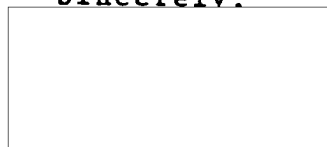
The Honorable Dave Durenberger
Chairman
Select Committee on Intelligence
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Several weeks ago, Senator Bentsen asked us to look into whether the information in the September 1984 study "Role of Western Equipment in Soviet Oil and Gas Development" might not be made public.

We have been able to sanitize this paper and an unclassified version is enclosed for whatever use the Committee may wish to make of it. We have provided unclassified copies to Senator Bentsen and to the Departments of Commerce and Defense.

Sincerely,



Robert M. Gates
Deputy Director for Intelligence

Enclosure:
As Stated

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TO: Senator Dave Durenberger
Chairman, Senate Select Committee on Intelligence

DDI #01198-86

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Soviet Needs for Western Petroleum Technology and Equipment

Summary

The exploration and development of new oil and gas deposits in the USSR during the 1986-2000 period will pose increasingly complex technical challenges. Because Soviet industry will remain unable to supply the technology and high-quality equipment required for critical applications, the importance of Western equipment to the Soviet effort will increase markedly. In particular, deeper drilling in offshore and onshore exploration and development, as well as the exploitation of corrosive ("sour") oil and gas deposits, will require significant inputs of Western technology and equipment.

This memorandum analyzes the availability of Western technology and the supplementary measures adopted by the Politburo to ensure the reequipping of the Soviet oil and gas industries with improved equipment in the 1986-2000 period. Major equipment improvements are urgently needed to work oil and gas deposits under increasingly hostile operating environments onshore and offshore. Faster exploration and development of new oil reserves also is critical if Moscow is to avoid a sharper downturn in oil production, which provides 40 percent of domestic primary energy supply and 50 percent of the USSR's foreign earnings.

Soviet Energy Production

Since 1960, output of primary energy--crude oil, natural gas, coal, hydroelectric power, nuclear power, and minor fuels--has tripled. Growth has been uneven among the major fuels, however. Coal was the main fuel for the national economy before the mid-1960s but by 1985 its share of primary energy production was only 21 percent. Meanwhile, oil output soared from 3 million barrels per day (b/d) in 1960 to a peak 12.3 million b/d in 1983, before declining to 11.9 million (b/d) in 1985, an amount equal to 37 percent of